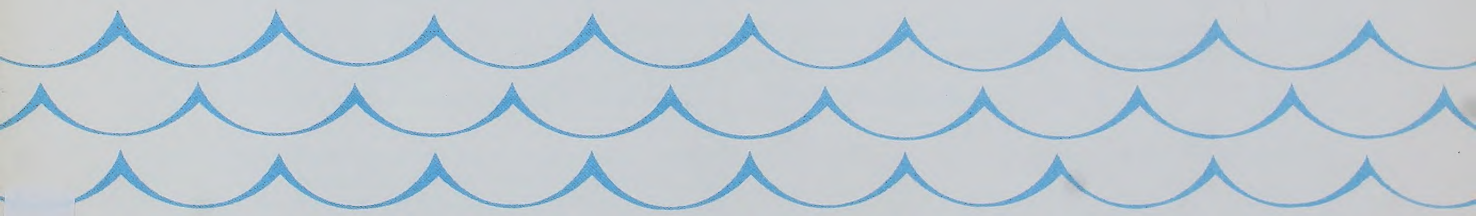


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NORTHERN TRANSPORTATION COMPANY LIMITED



Annual Report 1965

Northern Transportation Company Limited

HEAD OFFICE: 150 Kent Street, Ottawa, Canada
OPERATIONS OFFICE: 10040 - 105th Street, Edmonton, Alta.

DIRECTORS

W. J. Bennett	A. B. Caywood	W. M. Gilchrist
W. B. Hunter	H. E. Lake	P. L. P. Macdonnell

OFFICERS

President: W. M. Gilchrist
Vice-President: H. E. Lake
General Manager: W. B. Hunter
Secretary: R. C. Powell Treasurer: J. C. Orr

President's Letter

The Honourable Arthur Laing,
Minister of Northern Affairs and National Resources,
Ottawa, Canada.

Sir:

On behalf of the Board of Directors, and in accordance with Section 85(3) of The Financial Administration Act, I have the honour to submit the Annual Report of Northern Transportation Company Limited for the year ended December 31, 1965.

The activities and responsibilities of the Company were greatly enlarged by the acquisition, early in 1965, of Yellowknife Transportation Company Limited, Arctic Shipping Limited, and Decury Supply Limited, which had formerly operated somewhat parallel shipping services on the Mackenzie River and along the Western Arctic coast. The integration process made for a rather difficult period in the early part of the season, but all deliveries were completed.

The broadened scope of operations, and the effect of extension of the railway to Hay River, will make necessary the relocation of some of the Company's major installations, and the enlargement of many others. This program will entail rather large capital expenditures in 1966.

There has been a gradual but steady rise in the total freight tonnages handled on the Mackenzie River and the Western Arctic over the past several years. This has been partly attributable to increased oil and mineral exploration in the Mackenzie Basin, on the Arctic islands, and along the Alaska coast. There also has been a growth of population and an improvement in standards of living throughout the area, which have

been reflected in a greater volume of freight, particularly of oil for heating purposes.

There is every indication that the upward trend will continue. Oil exploration, in particular, is expected to show marked increases in the years to come.

Total revenue for the year amounted to \$4,965,150 and a net profit of \$448,550 after income tax was derived.

It is significant that freight rates within the Mackenzie Basin are now 40 per cent below the maximum permissive levels established by the Board of Transport Commissioners between 1948 and 1951, and that rates for shipments to points along the Arctic Coast and within the Arctic Islands have dropped by 25 per cent since 1958. There will be a further reduction in the rate for delivery of bulk oil to some of the communities within the area in 1966.

Your Board of Directors records its warm thanks for the continuing loyalty, co-operation and effort of the Company's employees.

For the Directors,

W. M. Gilchrist

President

Ottawa, Canada

February 24, 1966

General Report

The following is a General Report on the operations of Northern Transportation Company Limited for the year ended December 31, 1965.

As has been noted in the President's Letter, the year 1965 saw an integration of the services, equipment and organizations of Yellowknife Transportation Company Limited, Arctic Shipping Limited, and Decury Supply Limited, with those of Northern Transportation. As a consequence, the statistics contained in this Annual Report reflect a combined operation and the effects of an extensive integration process, and therefore are not comparable in most instances with the statistics in the reports for previous years.

Freight carried in 1965 totalled 190,630 tons, as against 127,903 tons handled by Northern Transportation Company Limited in 1964.

Freight revenue for 1965 amounted to \$4,965,150. After provision for income taxes, the net profit for 1965 was \$448,550. The enlarged scope of the operation, expenses entailed in the integration, and a major addition to the Company fleet, were among the factors contributing to substantially higher costs.

It was a particularly busy season on the Mackenzie, and operations there were made more difficult by water levels in August and early September that were the lowest in many years. This was especially true below the Liard and at the Sans Sault Rapids.

Operations on the Athabasca were fairly routine. Tonnage carried on Great Bear Lake was heavier than had been anticipated, and there is evidence of a resurgence of activity in that area.

Extension of the railway to Hay River and completion of a bridge across the Athabasca will alter the pattern of the Company's operations. These factors, coupled with the general enlargement of services, will necessitate substantial capital expenditure in 1966 for the construction of new installations at some points and major alteration of many others.



A six-barge tow of Northern Transportation Company Limited on its way down the Mackenzie River, past the rugged and mysterious Nahanni Mountains.

Ice conditions in the Western Arctic were more favourable than usual, and with the addition of the M. V. "Frank Broderick" to the fleet all freight on hand was delivered to Arctic ports. The "Frank Broderick", named for a former president of the Company, is unique in that it is the first vessel of Canadian design especially built for commercial service in the Western Arctic. She is 229 feet long, with a beam of 42 feet and a draft of ten feet when fully loaded. Her cargo-carrying capacity is 1,000 tons, and at the same time she is capable of towing barges. The vessel has double bow doors, similar to those of wartime landing craft, and a hinged ramp which makes possible speedy delivery of cargo. She has special sheathing against crushing Arctic ice.

The "Frank Broderick" arrived at Tuktoyaktuk, where she will be based, in mid-July, and was able to make a substantial contribution to the season's operations.

At the peak of the 1965 season the total work force numbered 520, of whom 136 were residents of the area served by the Company. Wages and salaries, including the Arctic operation, totalled \$2,086,111, and Company contributions to Pension and Welfare plans amounted to \$83,399.

NORTHERN TRANSPORTATION COMPANY LIMITED

and subsidiary companies

Consolidated Statement of Income and Expense

for the year ended December 31, 1965
(with comparative figures for the year ended December 31, 1964)

INCOME	1965	1964
Freight earnings	\$ 4,878,384	\$ 3,074,562
EXPENSE		
Operations and maintenance:		
Salaries and wages	1,296,139	870,881
Repairs and maintenance	768,613	411,394
Depreciation	632,624	221,789
Fuels and lubricants	299,852	179,267
Messing expense	203,833	136,406
Insurance	68,999	9,477
Pallet expense	59,987	20,338
Equipment rental	47,293	—
Transportation of employees	41,090	31,670
Truck and tractor maintenance	35,509	35,126
Grants in lieu of municipal taxes	24,373	24,896
Wharfage	19,078	12,789
Switching, demurrage and spur expense	11,615	13,128
Miscellaneous	59,610	22,980
	<u>3,568,615</u>	<u>1,990,141</u>
Administrative:		
Executive officers' salaries	87,782	43,261
Other salaries	123,338	72,819
Contributions to employees' pension plan ..	68,446	48,115
Ottawa Office expense	42,000	7,000
Consultants' fees and expenses	26,039	9,727
Travelling expenses	20,885	7,030
Stationery and office supplies	16,879	10,193
Business tax	15,700	9,842
Telephone and telegraph	15,542	12,880
Depreciation	12,523	12,372
Advertising and public relations	10,758	8,181
Miscellaneous	34,784	23,753
	<u>474,676</u>	<u>265,173</u>
	<u>4,043,291</u>	<u>2,255,314</u>
NET INCOME FROM OPERATIONS	835,093	819,248
Interest from investments	82,454	168,490
Profit on disposal of capital assets	4,312	1,745
	<u>921,859</u>	<u>989,483</u>
Provision for income tax (Note 3)	473,309	471,689
NET INCOME	<u>448,550</u>	<u>517,794</u>

Consolidated Statement of Surplus

for the year ended December 31, 1965
(with comparative figures for the year ended December 31, 1964)

	1965	1964
Balance at beginning of year	\$ 5,546,000	\$ 5,028,806
Add: Net income for the year	448,550	517,794
Balance at end of year	<u>5,995,150</u>	<u>5,546,600</u>

The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

NORTHERN TRANSPORTATION

and subsidiary companies (Incorporated in the State of New York)

Consolidated Balance Sheet

at December 31, 1965
(with comparative figures for 1964)

ASSETS

	<u>1965</u>	<u>1964</u>
CURRENT ASSETS:		
Cash	\$ 221,372	\$ 293,559
Short-term bank deposits	1,000,000	3,250,000
Accounts receivable	740,339	491,765
Operating and general supplies, at cost	520,863	349,772
Prepaid expenses	11,869	9,842
	<u>2,494,443</u>	<u>4,394,938</u>
SHORT-TERM DEPOSITS HELD FOR		
Insurance Investment Fund	<u>1,250,000</u>	<u>1,250,000</u>
CAPITAL ASSETS, AT COST: (Note 2)		
Land	99,261	98,467
Buildings, including equipment	2,969,266	2,366,823
Boats and barges, including equipment	14,488,622	9,915,880
Automotive equipment	1,244,299	1,084,499
Other	112,049	115,451
	<u>18,913,497</u>	<u>13,581,120</u>
Less: Accumulated depreciation	<u>14,339,710</u>	<u>11,809,190</u>
	<u>4,573,787</u>	<u>1,771,930</u>
	<u>8,318,230</u>	<u>7,416,868</u>

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

W. M. GILCHRIST, Director

W. J. BENNETT, Director

ATION COMPANY LIMITED

(Incorporated under the Canada Corporations Act)

Balance Sheet

as at December 31, 1965

(as at December 31, 1964)

LIABILITIES

	<u>1965</u>	<u>1964</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 577,771	\$ 256,579
Income tax payable	77,575	211,689
	<u>655,346</u>	<u>468,268</u>
DEFERRED INCOME TAX (Note 3)	<u>265,734</u>	<u>—</u>
CAPITAL:		
Capital Stock:		
Authorized — 50,000 shares of no par value		
Issued — 1,520 shares, fully paid	152,000	152,000
Reserve for insurance	1,250,000	1,250,000
Surplus	5,995,150	5,546,600
	<u>7,397,150</u>	<u>6,948,600</u>
	<u>8,318,230</u>	<u>7,416,868</u>

I have examined the above Consolidated Balance Sheet and the related Consolidated Statement of Income and Expense and have reported thereon under date of February 25, 1966 to the Minister of Northern Affairs and National Resources.

A. M. HENDERSON
Auditor General of Canada

NORTHERN TRANSPORTATION COMPANY LIMITED
and subsidiary companies

Notes to Financial Statements

1. Northern Transportation Company Limited acquired the capital stock of Yellowknife Transportation Company Limited, Arctic Shipping Limited and Decury Supply Limited early in 1965. The accompanying consolidated financial statements reflect the financial position and the results of operations of the Company and its wholly-owned subsidiaries.
2. The value of the boats and barges of the subsidiary companies, as appraised by Boyd, Phillips & Company Limited, surveyors and appraisers, Vancouver, B.C., was \$3,486,800 at December 31, 1964 compared with a net book value of \$939,090 at that date. Since the purchase price of the capital stock exceeded the aggregate net assets of the subsidiaries by \$937,118 at date of acquisition, the value of the boats and barges has been increased by this amount.
3. The provision for income tax has been calculated by using the depreciation provided in the accounts rather than using the capital cost allowances permitted under the Income Tax Act in determining taxable income. As a consequence, the provision for income tax exceeded the amount estimated payable for the year by \$265,734 which has been carried to the "Deferred Income Tax" account on the Balance Sheet. This account will be reduced in future periods when depreciation exceeds capital cost allowances claimed for income tax purposes.
4. Total remuneration of directors as directors, officers or employees of the Company for the year was \$29,100.

AUDITOR GENERAL OF CANADA

Ottawa, February 25, 1966.

The Honourable ARTHUR LAING,
Minister of Northern Affairs and
National Resources,
Ottawa.

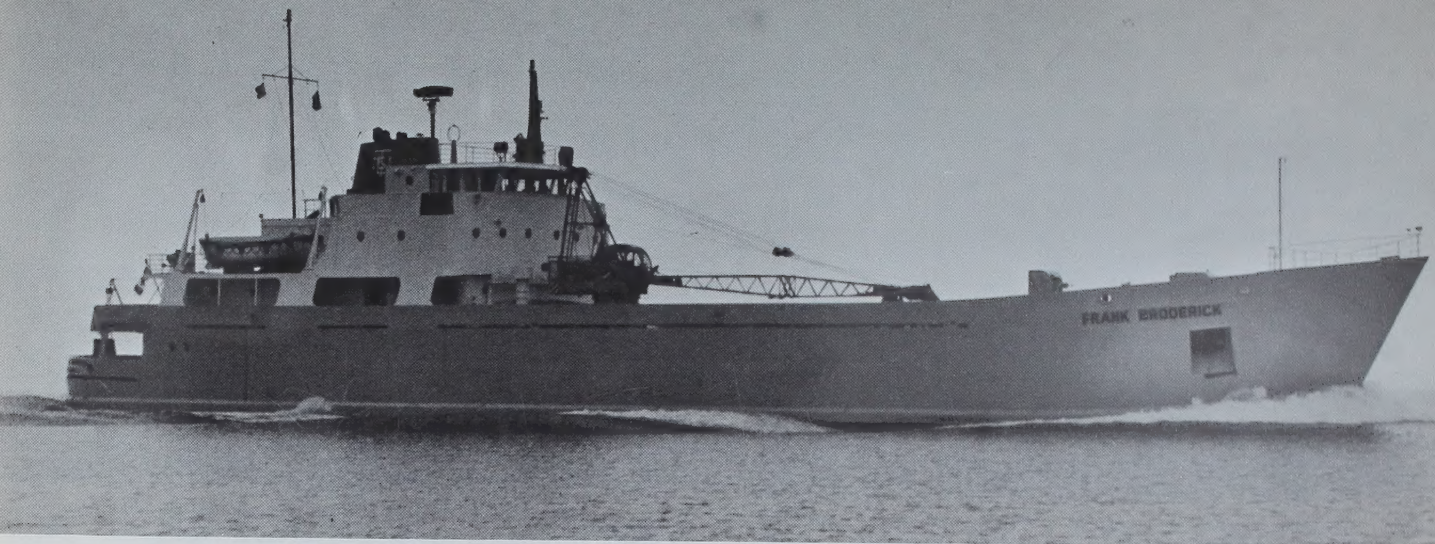
SIR,

I have examined the accounts and financial statements of Northern Transportation Company Limited and its subsidiary companies for the year ended December 31, 1965. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Company and its subsidiaries;
- (b) the financial statements of the Company and its subsidiaries
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the affairs of the Company and its subsidiaries as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Company and its subsidiaries for the financial year; and
- (c) the transactions of the Company and its subsidiaries that have come under my notice have been within the powers of the Company and its subsidiaries under the Financial Administration Act and any other Act applicable to the Company and its subsidiaries.

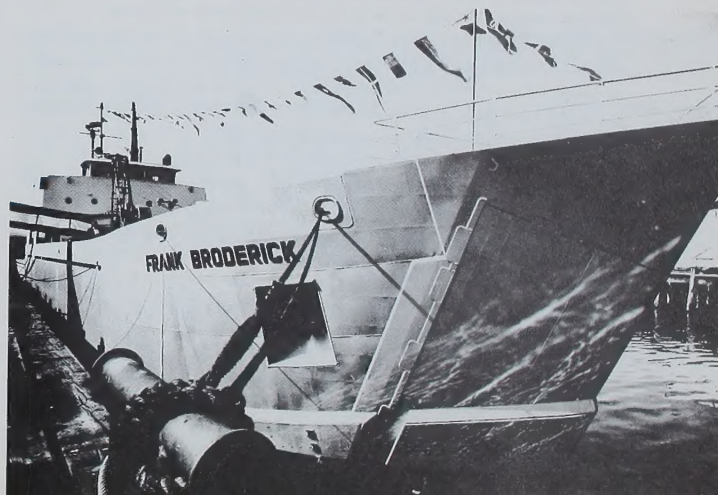
Yours faithfully,

A. M. HENDERSON
Auditor General of Canada.



The M/V "Frank Broderick"

New queen of the Northern Transportation Company Limited fleet is the 229-foot motor vessel "Frank Broderick," which began plying out of her home base at Tuktoyaktuk in July, 1965. Built in the Yarrow Shipyards at Esquimalt, B.C., and launched May 21, 1965, the "Frank Broderick" delivered her first cargo of 225,000 gallons of diesel fuel to Cambridge Bay in the Western Arctic. She is the first vessel of Canadian design built especially for commercial service in the Western Arctic, and is well equipped for the strenuous and sometimes hazardous conditions which face her. The "Frank Broderick" has bow doors like those of wartime landing craft, which can be lowered to form an unloading ramp. She has a cargo-carrying capacity of 1,000 tons, and also can tow barges with additional freight when necessary. Her hull is sheathed and reinforced as protection against crushing ice.



The History of Northern Transportation Company Limited

Transportation by water always has been a key factor in the development of the Canadian Far North. For many years canoes, rafts and batteaux served the needs of the native populations, the explorers, the traders, trappers and prospectors, who plied the lakes and rivers of the Northwest Territories. The kayaks of the Eskimo were the only craft on the Western Arctic.

In 1931 two Edmonton businessmen, C. Becker and C. Murdoff, set up what is believed to have been the first common carrier on the Mackenzie River between Waterways, Alberta, and Aklavik, N.W.T. Their enterprise bore the name Northern Waterways Limited and made a modest beginning with one wooden vessel and two barges. In 1933 the service was extended into Bear River and Great Bear Lake to meet the needs of the Eldorado Mine at Port Radium.

The company changed hands in 1934 and the name was altered to Northern Transportation Company Limited. Eldorado Gold Mines Limited acquired the company in 1936, primarily to assure continuing and adequate service to its mine, but operation as a common carrier was maintained and the fleet was enlarged and modernized. Northern Transportation Company Limited became a Crown corporation after its parent, Eldorado Mining and Refining Limited, was expropriated by the Government of Canada.

Initiation of the Canol Project in 1941, and re-opening of the Port Radium mine in 1942, brought all Northern Transportation Company equipment into service for the duration of World War II. When the Canol Project was abandoned in 1944, the Company contracted to bring out 25,000 tons of equipment and materials. When this major task was complete, the Company carried on as a carrier of a growing volume of commercial freight.

In 1946 all transportation on the Mackenzie system was brought under regulations of the Board of Transport Commissioners. When Hudson's Bay Transport discontinued operation as a common carrier in 1947, Northern Transportation Company added vessels to handle the additional freight.

The Company extended its operations into the Western Arctic for the first time in 1949, when it was requested by the R.C.A.F. to operate the supply ship "Snowbird" between Tuktoyaktuk and Cambridge Bay. Subsequently, the "Radium Dew" and three steel barges were built for delivery of construction materials and equipment for six DEW Line installations in

the Mackenzie Delta, beginning in 1955. Three years later the Company began re-supply of 25 DEW Line sites along the Arctic Coast, operating LST's and tankers made available under a loan agreement between the United States and Canadian governments.

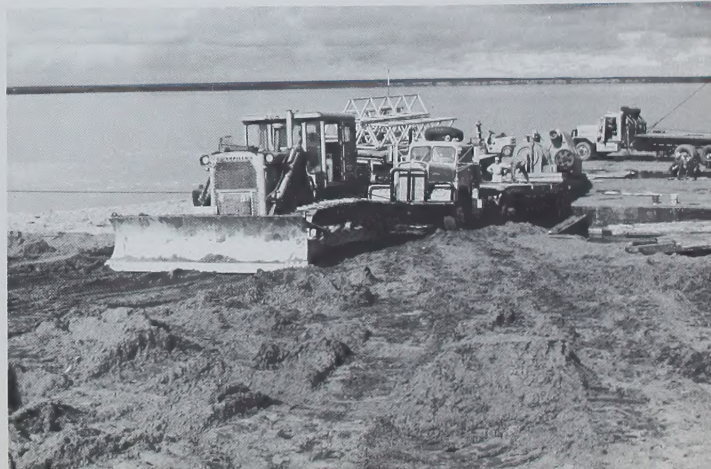
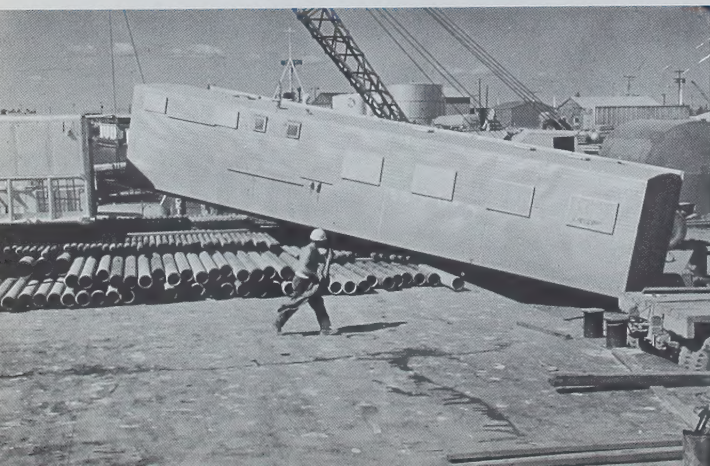
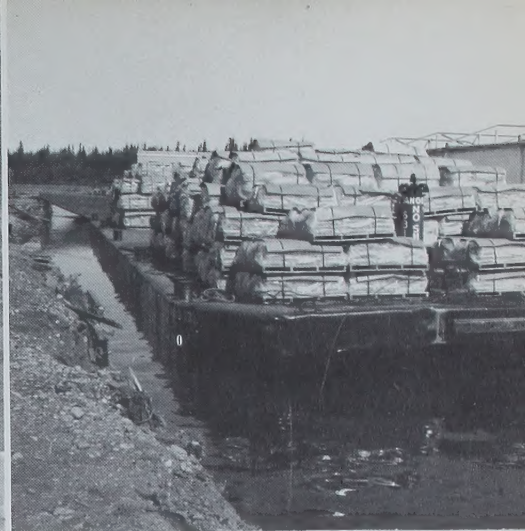
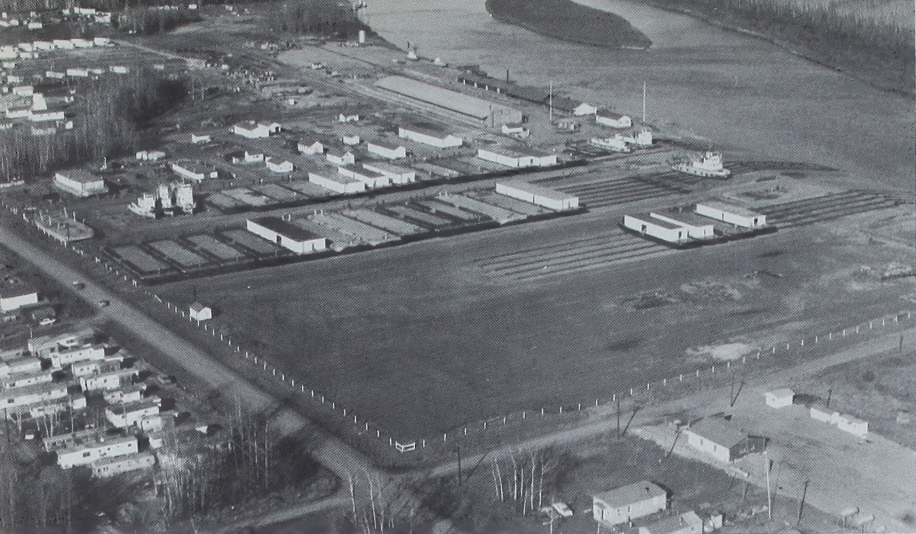
When uranium mines around Lake Athabasca were coming into the development and production stage in 1956, Northern Transportation Company built three new vessels and 27 steel barges to take care of the heavy increase in freight. Some of this equipment went into mothballs in 1960, when five mines in the Beaverlodge area, as well as the Port Radium mine, ceased operations.

In 1963, at the request of the Hudson's Bay Company, Northern Transportation Company took over the Arctic freight service provided by that organization, and acquired the motor vessel "Banksland." The following year a shipyard at Esquimalt, B.C., began construction of the motor vessel "Frank Broderick," which began plying out of her home base, Tuktoyaktuk, in July, 1965.

Early in 1965 the Company acquired Yellowknife Transportation Company Limited, Arctic Shipping Limited, and Decury Supply Limited, which had carried on somewhat parallel shipping services which are now integrated with those of Northern Transportation Company. The fleet now comprises 28 tugs, all equipped with two-way radio, radar, and echo-sounders; 112 all-steel barges of various sizes and types, including some refrigerated units; and the two vessels in the Arctic. The shipping season on the Mackenzie system normally runs from May to October, but Arctic operations usually are limited to July and August.

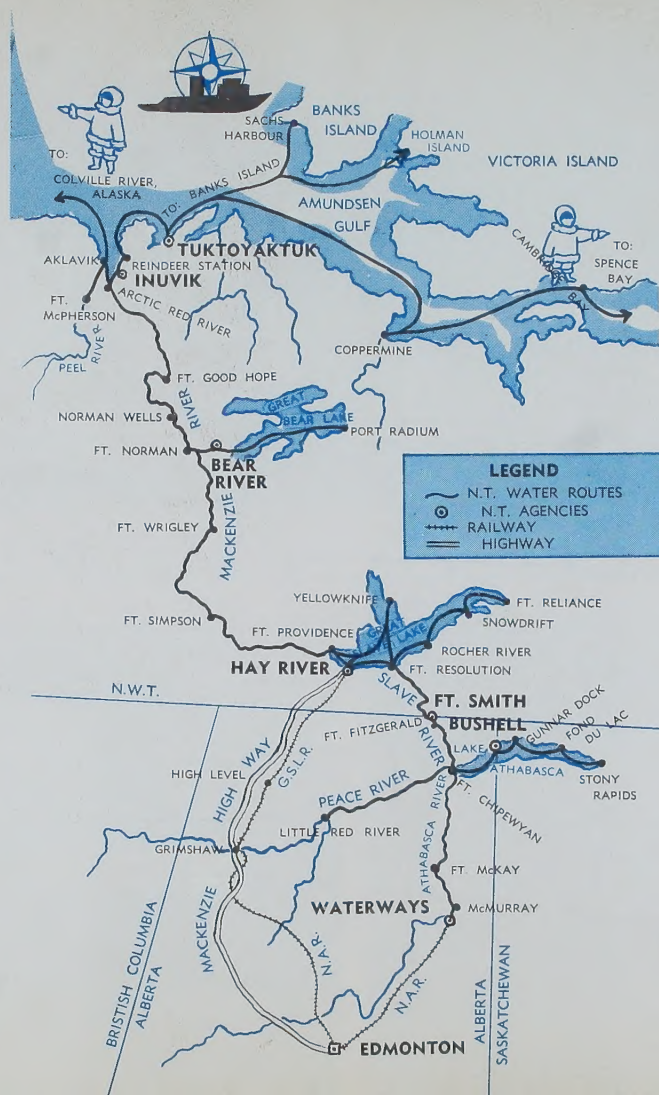


Vessels of Northern Transportation Company Limited serve a 4,000-mile system extending down the Mackenzie River and along the Western Arctic Coast. The river system begins at the spacious and efficient terminal at Waterways, Alberta (Top Left). Loading and unloading of the deck cargo of barges is speeded by modern palletizing techniques, with freight protected by plastic coverings (Upper Right). In recent years NTCL has been carrying oil-drilling rigs and equipment and heavy tonnages of supplies, even including prefabricated buildings, to Far North sites, which often involve landings under unusual and difficult conditions, as shown LOWER RIGHT.



NORTHERN Transportation Company Limited

*Symbol of Service
in the Canadian North*



The Mackenzie Route to the Western Arctic

*A 4,000-mile System
Embracing
the Mackenzie Basin,
and the Western Arctic
from Boothia Peninsula
to the Colville River*